MBHASHE MUNICIPALITY

ilifa lethu elixabisekileyo liyinkqubela

MBHASHE LOCAL MUNICIPALITY (EC 121)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

General Information

Nature of business and principal activities	The Municipality is responsible for the following activities: - collection of rates in respect of property - refuse and solid waste removal - construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction - traffic control, issue of learners licences and renewal of drivers licences

The following is the list of Councillors as at 30 June 2016

Mayoral committee	
Mayor	Councillor N. O. Mfecane
Speaker	Councillor M. M. Mcotsho
Members of the Executive Committee	Councillor M. Peter
	Councillor X. O. Willie
	Councillor M. Mbomvu
	Councillor F. Khekhetshe
	Councillor V. S. K Mbewu
	Councillor N. Xhungu
	Councillor M. Tetyana
	Councillor M. Noyila
	Councillor X. P. Baleni
Chief WHIP	Councillor S. Hoyo
Councillors	Councillor P. Rulumeni
	Councillor N. N. Nkqwiliso
	Councillor N. Tswila
	Councillor S.D. Kalityi
	Councillor M. Potelwa
	Councillor M. T. Nodliwa
	Councillor X. A. Zimba
	Councillor M. Khwakhwi
	Councillor B. Jamnda
	Councillor S. Mpongwana
	Councillor N. Sigcau
	Councillor T. Tshika
	Councillor Z. Khosi
	Councillor C. N. Buyeye
	Councillor M. Tyali
	Councillor P. Faniso
	Councillor M. J. Savu
	Councillor N. Kopolo
	Councillor S. Ndinisa
	Councillor M. Mapungu
	Councillor V. Matiwane
	Councillor N. Magatya
	Councillor N. Mtsi
	Councillor B. Maqelana
	Councillor L.Gogoba
	Councillor M. Majiya
	Councillor N. Stefana
	Councillor B. Sigcawu
	Councillor N. Mlungu

General Information

	Councillor N. M. Mlandu Councillor N. Ncetani Councillor N. Janda Councillor N. B. Benya Councillor V. A. Somana Councillor X. M. Tyodana Councillor M. S. Jafta Councillor N. V. Lumkwana Councillor N. Nonjaca Councillor A Bambiso Councillor P. Methu Councillor F. Mbiko Councillor N. Ndlodaka Councillor K. D. Msindwana Councillor Y. G. Mhlathi Councillor M. Takani Councillor S. Wulana Councillor T. Mafanya Councillor A Ngqola
Grading of local authority	3
Municipal Manager	Mr S. V. Poswa
Chief Financial Officer	Mr X. Sikobi
Registered office	454 Steatfield Road Dutywa 5000
Postal address	P.O. Box 25 Dutywa 5000
Bankers	First National Bank (62231175953)
Auditors	Auditor General South Africa
Attorneys	Nginda Vuba Attorneys Tonise Attorneys Vitshima Attorneys M Gigaba Incorporated

General Information

Traditional Leaders	Chief N.M Masiko Chief N.W Salakuphathwa Chief A. N. Sigcawu Chief F. F. Ndim Chief S. Nyendani Chief M. Sigcawu - deceased Chief B. W. Sigidi Chief M. Titshala Chief S.V Qotongo - deceased Chief N. Ngubechanti Chief S. X. Ndevu Chief N. W. Zenani

General Information

Relevant Legislation

Basic Conditions of Employment Act 75 of 1997
Broad Based Black Economic Empowerment Act 53 of 2003
Constitution of the Republic of South Africa Act, 1996
Deeds Registries Act 47 of 1937
Disaster Management Act 57 of 2002
Division of Revenue Act 10 of 2014
Electoral Act 73 of 1998
Electoral Commission Act 51 of 1996
Intergovernmental Relations Framework Act 13 of 2005
Interim Protection of Informal Lands Rights Act 31 of 1996
Labour Relations Act 66 of 1995
Local Government : Municipal Demarcation Act 27 of 1998
Local Government : Municipal Electoral Act 27 of 2000
Local Government : Municipal Finance Management Act 56 of 2003
Local Government : Municipal Property Rates Act 6 of 2004
Local Government : Municipal Structures Act 117 of 1998 (as amended)
Local Government : Municipal Systems Act 32 of 2000 (as amended by Act 44 of 2003)
Local Government : Municipal Fiscal Powers and Functions Act No 12 of 2007
Prescription Act 18 of 1943
Prescription Act 68 of 1969
Prevention and Combating of Corrupt Activities Act
Prevention of Illegal eviction from an Unlawful Occupation of Land Act 19 of 1998
Promotion of Access to Information Act 2 of 2000
Promotion of Administrative Justice Act 3 of 2000
Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000
Protected disclosures Act 26 of 2000
Public Audit Act 25 of 2004
Re-Determination of the Boundaries of Cross-Boundary Municipality Act 6 of 2005
Reconstruction and Development Program Fund Act 7 of 1994
Regional Services Councils Act 109 of 1985
Regulation of Gatherings Act 205 of 1993
Removal of Restrictions Act 84 of 1967
Remuneration of Public Office Bearers Act 20 of 1998
Skills Development Act 97 of 1998
Skills Development Levies Act 9 of 1999
South African National Roads Agency Limited and National Roads Act 7 of 1998
Tobacco Products Control Act 83 of 1993
Traditional Leadership and Governance Framework Act 41 of 2003
Transfer of Staff to Municipalities Act 17 of 1998
Unemployment Insurance Act 63 of 2001
United Municipal Executive (Pension) Act 12 of 1958
Value Added Tax 1991

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

AFS	Annual Financial Statements
EPWP	Extended Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
PPE	Property, Plant and Equipment
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Service
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Section 62 of MFMA, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints. Salaries, allowances and benefits to public office bearers and Councillors of the municipality were within the upper limits of the framework envisaged in Section 219 of the Constitution.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 5 to 73, which have been prepared on the going concern basis, were approved by the Council on 30 November 2016 and were signed on its behalf by:

Mr S. V. Poswa
Municipal Manager

Dutywa

Wednesday, November 30, 2016

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2016.

1. Review of activities

Main business and operations

The municipality is engaged in the municipality is responsible for the following activities:
- collection of rates in respect of property
- refuse and solid waste removal
- construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction
- traffic control, issue of learners licences and renewal of drivers licences and operates principally in South Africa.

It would seem as an anomaly that whilst 100% of MIG has been spent but there are unmet targets in the construction of new gravel roads, Community Halls, Paving of Side Walks and upgrading of Storm water channels. This is because of some projects are funded through multi-year budget and there are currently under construction, as such the Work in Progress disclosed under the Note 8 of the Annual Financial Statements has increased by 100%.

2. Going concern

We draw attention to the fact that at June 30, 2016, the municipality had accumulated surplusof R 589,654,012 and that the municipality's total assets exceed its liabilities by R 589,654,012.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The current year deficit of R 26 885 229 was due to the following reasons:

There is a shortfall of R 15 978 000 from Equitable Share under Government grants and subsidies in the Revenue section due to 2014/2015 MIG rollover application denied by National Treasury, and was offset against Equitable Share.

Transfers from Reserves amounting to R 12 900 000 to fund Electrification program that is allocated in 2016/2017, the expenditure is allocate Statement of Financial Performance and the transfers from reserves is not allocated in this section in 2015/2016.

3. Borrowing potential

The current ratio is below 2 whilst it was almost 4 in the previous year. This is a temporary setback as it was caused in the main by the internal borrowing from own reserves in order to speed up service delivery on roads and electrification. These amounts are to be returned as they will be refunded when grant funding is received. Liabilities have also been increased by the short term finance lease which will be settled in two years' time.

Our assets versus liabilities show that we have huge potential for borrowing which the municipality is currently not exploring. This option will only be taken to fund borrowings for income-generating assets with the objective of generating a commercial return..

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	1,405,857	1,201,122
Receivables from non-exchange transactions	38	318,453	552,277
VAT receivable	4	14,233,136	10,926,443
Consumer debtors	5	2,851,681	1,134,566
Cash and cash equivalents	6	66,777,287	145,034,342
		85,586,414	**158,848,750**
Non-Current Assets			
Investment property	7	47,080,100	47,080,100
Property, plant and equipment	8	524,570,039	474,871,788
Intangible assets	9	675,316	446,857
Heritage assets	36	9	9
		572,325,464	**522,398,754**
Non-Current Assets		572,325,464	522,398,754
Current Assets		85,586,414	158,848,750
Total Assets		**657,911,878**	**681,247,504**
Liabilities			
Current Liabilities			
Finance lease obligation	39	25,980,985	10,281,999
Operating lease liability	37	-	10,939
Payables from exchange transactions	10	17,594,392	14,768,282
Employee benefit obligation	13	304,495	-
Unspent conditional grants and receipts	11	1,000,000	15,978,536
Provisions	12	345,948	315,243
		45,225,820	**41,354,999**
Non-Current Liabilities			
Finance lease obligation	39	13,284,700	19,896,954
Operating lease liability	37	-	3,169
Employee benefit obligation	13	2,424,359	2,393,117
Provisions	12	7,322,987	6,914,675
		23,032,046	**29,207,915**
Non-Current Liabilities		23,032,046	29,207,915
Current Liabilities		45,225,820	41,354,999
Total Liabilities		**68,257,866**	**70,562,914**
Assets		657,911,878	681,247,504
Liabilities		(68,257,866)	(70,562,914)
Net Assets		**589,654,012**	**610,684,590**
Net Assets			
Accumulated surplus		589,654,012	610,684,590

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Service charges	18	1,322,908	1,820,166
Rental of facilities and equipment	42	1,560,004	1,015,779
Recoveries		3,383,742	4,676,176
Other income	19	1,468,531	1,085,073
Interest earned		9,004,105	9,068,446
Assessment rates	17	7,701,146	6,314,558
Licence and permits		731,769	742,726
Government grants & subsidies	15	289,997,410	220,520,286
Fines and penalties		2,208,895	392,313
Total revenue		**317,378,510**	**245,635,523**
Expenditure			
Employee related costs	21	(79,490,942)	(43,316,669)
Remuneration of Councillors	22	(23,984,032)	(21,814,912)
Depreciation and amortisation	41	(69,116,580)	(58,473,922)
Finance costs	23	(15,294,347)	(3,835,823)
Debt Impairment	24	(2,084,685)	(2,554,155)
Administrative and other expenditure	25	(138,696,400)	(74,776,182)
Total expenditure		**(328,666,986)**	**(204,771,663)**
		-	-
Total revenue		317,378,510	245,635,523
Total expenditure		(328,666,986)	(204,771,663)
Operating (deficit) surplus		**(11,288,476)**	**40,863,860**
Loss on disposal of assets		(2,517,045)	(2,281,325)
Operating surplus/deficit		(2,517,045)	(2,281,325)
(Deficit) surplus before taxation		(13,805,521)	38,582,535
Taxation		-	-
(Deficit) surplus for the year		**(13,805,521)**	**38,582,535**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	333,472,982	333,472,982
Correction of errors	241,612,231	241,612,231
Balance at July 01, 2014 as restated*	**575,085,213**	**575,085,213**
Changes in net assets		
Other changes in the net assets	1,408,493	1,408,493
Correction of errors	(4,391,651)	(4,391,651)
Net income (losses) recognised directly in net assets	(2,983,158)	(2,983,158)
Surplus for the year	38,582,535	38,582,535
Total recognised income and expenses for the year	35,599,377	35,599,377
Total changes	35,599,377	35,599,377
Restated* Balance at July 01, 2015	**603,459,533**	**603,459,533**
Changes in net assets		
Surplus for the year	(13,805,521)	(13,805,521)
Total changes	(13,805,521)	(13,805,521)
Balance at June 30, 2016	**589,654,012**	**589,654,012**

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		13,501,423	(2,327,511)
Grants		289,997,410	216,445,286
Interest income		9,004,105	9,068,446
Other receipts		4,853,328	3,188,548
		317,356,266	226,374,769
Payments			
Employee costs		(103,385,804)	(64,594,511)
Suppliers		(164,390,644)	(63,396,814)
Finance costs		(15,294,347)	(3,835,823)
		(283,070,795)	(131,827,148)
Total receipts		317,356,266	226,374,769
Total payments		(283,070,795)	(131,827,148)
Net cash flows from operating activities	34	**34,285,471**	**94,547,621**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(121,223,358)	(50,897,364)
Purchase of other intangible assets	9	(405,900)	(358,864)
Net cash flows from investing activities		**(121,629,258)**	**(51,256,228)**
Cash flows from financing activities			
Finance lease payments - Current		9,086,732	(9,629,584)
Net increase in cash and cash equivalents		**(78,257,055)**	**33,661,809**
Cash and cash equivalents at the beginning of the year		145,034,342	111,372,533
Cash and cash equivalents at the end of the year	6	**66,777,287**	**145,034,342**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	807,560	-	**807,560**	1,322,908	**515,348**	45.1
Rental of facilities and equipment	807,405	-	**807,405**	1,560,004	**752,599**	45.2
Recoveries	-	-	-	3,383,742	**3,383,742**	45.4
Other income	50,943,000	12,000,000	**62,943,000**	1,468,531	**(61,474,469)**	45.3
Interest received - investment	6,000,000	4,478,662	**10,478,662**	9,004,105	**(1,474,557)**	45.5
Total revenue from exchange transactions	**58,557,965**	**16,478,662**	**75,036,627**	**16,739,290**	**(58,297,337)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5,957,028	1,000,000	**6,957,028**	7,701,146	**744,118**	45.6
Licenses and permits	1,752,994	(84,331)	**1,668,663**	731,769	**(936,894)**	45.7
Transfer revenue						
Government grants & subsidies	228,702,232	(11,874,251)	**216,827,981**	289,997,410	**73,169,429**	45.8
Fines, Penalties and Forfeits	482,946	1,084,331	**1,567,277**	2,208,895	**641,618**	45.9
Total revenue from non-exchange transactions	**236,895,200**	**(9,874,251)**	**227,020,949**	**300,639,220**	**73,618,271**	
'Total revenue from exchange transactions'	58,557,965	16,478,662	**75,036,627**	16,739,290	**(58,297,337)**	
'Total revenue from non-exchange transactions'	236,895,200	(9,874,251)	**227,020,949**	300,639,220	**73,618,271**	
Total revenue	**295,453,165**	**6,604,411**	**302,057,576**	**317,378,510**	**15,320,934**	
Expenditure						
Personnel	(80,351,203)	(494,000)	**(80,845,203)**	(79,490,942)	**1,354,261**	
Remuneration of councillors	(25,585,611)	-	**(25,585,611)**	(23,984,032)	**1,601,579**	
Depreciation and amortisation	(38,199,958)	-	**(38,199,958)**	(69,116,580)	**(30,916,622)**	45.10
Finance costs	-	-	-	(15,294,347)	**(15,294,347)**	45.11
Bad debts written off	(1,010,344)	-	**(1,010,344)**	(2,084,685)	**(1,074,341)**	45.12
General Expenses	(113,756,000)	(12,756,000)	**(126,512,000)**	(138,696,400)	**(12,184,400)**	
Total expenditure	**(258,903,116)**	**(13,250,000)**	**(272,153,116)**	**(328,666,986)**	**(56,513,870)**	
	295,453,165	6,604,411	**302,057,576**	317,378,510	**15,320,934**	
	(258,903,116)	(13,250,000)	**(272,153,116)**	(328,666,986)	**(56,513,870)**	
Operating deficit	**36,550,049**	**(6,645,589)**	**29,904,460**	**(11,288,476)**	**(41,192,936)**	
Loss on disposal of assets and liabilities	-	-	-	(2,517,045)	**(2,517,045)**	45.13
	36,550,049	(6,645,589)	**29,904,460**	(11,288,476)	**(41,192,936)**	
	-	-	-	(2,517,045)	**(2,517,045)**	
Surplus	**36,550,049**	**(6,645,589)**	**29,904,460**	**(13,805,521)**	**(43,709,981)**	
Deficit	36,550,049	(6,645,589)	**29,904,460**	(13,805,521)	**(43,709,981)**	
	-	-	-	-	-	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**36,550,049**	**(6,645,589)**	**29,904,460**	**(13,805,521)**	**(43,709,981)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	209,600	-	**209,600**	-	**(209,600)**	
Receivables from exchange transactions	-	-	-	1,405,857	**1,405,857**	45.14
Receivables from non-exchange transactions	-	-	-	318,453	**318,453**	45.15
VAT receivable	-	-	-	14,233,136	**14,233,136**	45.16
Consumer debtors	-	-	-	2,851,681	**2,851,681**	45.17
Cash and cash equivalents	165,554,142	-	**165,554,142**	66,777,287	**(98,776,855)**	45.18
	165,763,742	-	**165,763,742**	**85,586,414**	**(80,177,328)**	
Non-Current Assets						
Investment property	-	-	-	47,080,100	**47,080,100**	45.19
Property, plant and equipment	83,978,004	2,065,900	**86,043,904**	524,570,039	**438,526,135**	45.20
Intangible assets	1,000,000	(50,000)	**950,000**	675,316	**(274,684)**	
Heritage assets	-	-	-	9	**9**	
	84,978,004	**2,015,900**	**86,993,904**	**572,325,464**	**485,331,560**	
Non-Current Assets	165,763,742	-	**165,763,742**	85,586,414	**(80,177,328)**	
Current Assets	84,978,004	2,015,900	**86,993,904**	572,325,464	**485,331,560**	
Total Assets	**250,741,746**	**2,015,900**	**252,757,646**	**657,911,878**	**405,154,232**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	25,980,985	**25,980,985**	45.21
Payables from exchange transactions	-	-	-	17,594,382	**17,594,382**	45.22
Employee benefit obligation	-	-	-	304,495	**304,495**	45.23
Unspent conditional grants and receipts	-	-	-	1,000,000	**1,000,000**	45.24
Provisions	-	-	-	345,948	**345,948**	45.25
	-	-	-	**45,225,810**	**45,225,810**	
Non-Current Liabilities						
Finance lease obligation	-	-	-	13,284,700	**13,284,700**	45.26
Employee benefit obligation	-	-	-	2,424,359	**2,424,359**	45.27
Provisions	-	-	-	7,322,987	**7,322,987**	45.28
	-	-	-	**23,032,046**	**23,032,046**	
	-	-	-	45,225,810	**45,225,810**	
	-	-	-	23,032,046	**23,032,046**	
	-	-	-	-	-	
Total Liabilities	-	-	-	**68,257,856**	**68,257,856**	
Assets	250,741,746	2,015,900	**252,757,646**	657,911,878	**405,154,232**	
Liabilities	-	-	-	(68,257,856)	**(68,257,856)**	
Net Assets	**250,741,746**	**2,015,900**	**252,757,646**	**589,654,022**	**336,896,376**	

Net Assets

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	250,741,746	2,015,900	**252,757,646**	589,654,022	**336,896,376**	42.31

Accounting Policies

1. Presentation of Annual Financial Statements

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Section 62 of MFMA.

Basis of measurement

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The principal accounting policy adopted in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period, except for the policies relating to the new standards and interpretations under note 2.1.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Amounts are rounded off to the nearest Rand.

1.2 Reporting entity

Mbhashe Local Municipality ("the municipality") is a low capacity local government institution covering Dutywa, Willowvale and Elliotdale in the Eastern Cape.

1.3 Judgements, assumptions and estimates

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include:

- Impairment of debtors. Management is required to assess the debtors portfolio on an individual and collective basis and to determine an appropriate impairment based on the collection trends, type of consumer and the general economic environment.
- Provision for landfill sites. Management is required to base the provision for the rehabilitation of the landfill sites on appropriate supporting documentation and assumptions relating to available permitted airspace, airspace utilization factor and waste acceptance rate.
- Assessment of conditions related to unspent grants. Management must exercise judgment in assessing the extent to which the conditions pertaining to grants have been met in order to release an appropriate amount to revenue.
- Assets. Management are required to exercise judgment when assessing the fair value / deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.
- Intangible assets. Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

Going concern assumption

These annual financial statements have been prepared on a going concern basis.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated as per **Note** 43. The nature and reason for the re-classification is disclosed. Where accounting errors relating to prior years have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively in terms of the requirements of the standard, and the prior year comparatives are restated accordingly.

1.4 Value add tax

The municipality accounts for VAT on the payment basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

1.5 Investment property

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Initial recognition

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Subsequent measurement and derecognition - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on the straight line basis over its expected useful life to its estimated residual value.The depreciable amount is determined after taking into account an asset`s residual value.If at any point the residual value exceeds the carrying amount of an investment property, no depreciation is calculated on that investment property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful life of investment property is estimated to be 40 years.

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Subsequent measurement and derecognition - cost model

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Other assets	Straight line	5 - 10 years
Infrastructure	Straight line	10 - 60 years
Community assets	Straight line	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.6 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Derecognition of PPE

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its statement of financial position only when it meets the definition of an intangible asset and it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

For intangible assets with indefinite useful life amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standards of GRAP on Acccounting Policies, Changes in Accounting Estimates and Errors

Initial recognition

The cost of an item of an asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Where an intangible asset is acquired in exchange for non-monetary asset or monetary assets, or combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the deemed cost). If the acquired item`s fair value was not determinable , it`s deemed carrying amount of the assets given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated asset average lives

Item	**Useful life**
Computer software	3 to 5 years

Derecognition

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

Accounting Policies

1.8 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

The fair values cannot be measured due to nature of assets. The assets are shown in the financial statements at a nominal value of R9 for record keeping.

1.10 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related parties include Councillors, key management personnel and close members of family.

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other senior managers reporting directly to the Municipal Manager and supply chain officials.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.11 Events after reporting period

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.12 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial instrument at fair value
- Financial instruments at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition

A financial assets/ financial liability shall be recognised in the statement of financial position when, and only when the municipality becomes a party to the contractual provisions of instrument.

Initial measurement financial assets and financial liabilities

When a financial asset/liability is recognised initially, the municipality shall measure it at its fair value plus, in the case of a financial asset/liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

Subsequent measurement of financial assets and financial liabilities

The municipality shall measure all financial assets/liabilities after initial recognition using the following categories:
- financial instruments at amortised cost
- financial instrument at fair value

All financial assets measured at amortised cost, or cost, are subject to an impairment review in terms of GRAP 104: Financial Instruments. Financial assets are recognised using trade date accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost.

Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Accounting Policies

1.12 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and subsequently carried at amortised cost using the effective interest method. Cash includes cash on hand (including petty cash) and investments comprising cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Trade and other payables from exchange transactions reflected on the face of the statement of financial position or in the notes thereto are classified as other financial liabilities.

Financial liabilities consist of trade payables and are initially measured at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expires, is settled or waived, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party.

An entity recognises financial assets using trade date accounting.

Financial liabilities

A financial liability is derecognised when and only when the financial liability is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

1.12 Financial instruments (continued)

Impairment of financial assets

A financial asset measured at amortised cost or cost, is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective asset level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.13 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and not guaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The municipality recognises the aggregate payments as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Municipality as lessee

Operating lease payments are recognised in surplus or deficit on a straight-line basis over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.13 Leases (continued)

Municipality as a lessor

Under a finance lease, the Municipality recognised the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguarenteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight lined revenue and actual payment received will give rise to an asset. The Municipality recognised the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
- The assets ability to generate significant cash flows; and
- The degree to which it is utilised to generate commercial returns.

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the depreciated replacement cost approach - The present value of the remaining service potential of a non cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount. Impairment losses are recognised in surplus or deficit.

An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exist, the entity shall estimate the recoverable service amount of that asset.

1.16 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits (those payable within 12 months after the service is rendered) are measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid in terms of short term bonus or leave arrangements when the municipality has a present legal or constructive obligation to pay the amount as a result of a past service provided by an employee and the amount can be estimated reliably.

Liabilities for annual leave are recognised as they accrue to the employees. The liability is based on the total amount of leave days due to the employee and the total related remuneration package.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the surplus or deficit in the period in which the service is rendered by the relevant employees.

The municipality makes contributions to the following plans:
- South African Municipal Workers Union National Provident Fund
- Eastern Cape Group Municipal Pension Fund
- Eastern Cape Group Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:
- HOSMED
- Key Health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

Other long term employee benefit

For other long term employee benefit the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries. Gains and losses arising from actuarial valuation is recognised in surplus or deficit in the year in which they occur.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

The municipality has an unfunded other long term employee benefit that relates to long service awards.

1.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgment. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Contingencies

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

1.19 Revenue from exchange transactions

Revenue from exchange transactions includes revenue from service charges, rental of facilities and equipment, other income and interest received on investments.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of the services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements and receiving service. Tariffs are determined per category of property usage, and are levied at a fixed monthly rate based on the category of the customer.

1.19 Revenue from exchange transactions (continued)

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Interest income is recognised using the effective interest rate method.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.20 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes rates levied, licences and permits, fines and grants from other spheres of government.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset have been met.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue when received by the entity.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant. If the compliance with the restrictions have not been met, the revenue is deferred and recognised as a liability

Interest earned on investments arising from grants is recognised as interest earned in surplus or deficit.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.25 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.26 Commitments

Commitments relate to capital projects for which funds have been committed at year end. Commitments are not recognised as a liability in the statement of financial position or as expenditure in the statement of financial performance but are included in the disclosure note.

Figures in Rand	2016	2015

2. New standards and interpretations

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

2. **New standards and interpretations (continued)**

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after April 01, 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

2. New standards and interpretations (continued)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 01, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

2. New standards and interpretations (continued)

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 01, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after April 01, 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Receivables from exchange transactions

Prepayments	801,696	-
Sundry suppliers	118,538	715,499
Staff Debtors	485,623	485,623
	1,405,857	**1,201,122**

The above 2015/16 receivable relates to SALGA membership invoices relating to 2016/17 Financial period that are paid in the 2015/16 Financial period in order to take advantage of the discount afforded by SALGA with regard to early payments.

The above 2014/15 receivables all relate to assets that have been paid for but were not delivered at year end. The municipality is actively following up on the matter. A significant portion of the balance (R596 962) relates to payment made for the plant procured under finance lease but not yet delivered.

Figures in Rand	2016	2015

4. VAT receivable

VAT refund due from SARS	14,233,136	10,926,443

The municipality is registered for VAT on the payment basis. VAT is claimed from / paid to SARS only once payment is made to suppliers or cash is collected on vatable supplies.

5. Consumer debtors

Gross balances		
Rates	20,967,356	14,208,634
Refuse	1,173,040	4,922,213
	22,140,396	**19,130,847**
Less: Allowance for impairment		
Consumer debtors impairment	(19,288,715)	(17,996,281)
Net balance		
Rates	20,967,356	14,208,634
Refuse	1,173,040	4,922,213
Provision for debt impairment	(19,288,715)	(17,996,281)
	2,851,681	**1,134,566**
Included in above is receivables from exchange transactions		
Refuse	1,173,040	4,922,213
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	20,917,413	14,208,635
Gross balance	**22,090,453**	**19,130,848**
Rates		
Current (0 -30 days)	1,114,626	531,176
31 - 60 days	498,324	475,831
61 - 90 days	700,921	452,674
91 + days	18,653,485	12,748,953
	20,967,356	**14,208,634**
Refuse		
Current (0 -30 days)	67,673	93,574
31 - 60 days	31,633	89,819
61 - 90 days	52,226	88,380
91 + days	1,021,508	4,650,440
	1,173,040	**4,922,213**
Impairment		
Consumer debtors impairment	(19,288,715)	(17,996,281)

Figures in Rand	2016	2015

5. Consumer debtors (continued)

Summary of debtors by customer classification

	2016	2015
Consumers		
Current (0 -30 days)	563,715	315,119
31 - 60 days	245,672	289,956
61 - 90 days	427,062	278,181
91 + days	13,054,227	16,184,831
	14,290,676	17,068,087
Less: Allowance for impairment	(14,149,434)	(16,691,147)
	141,242	**376,940**
Industrial/ commercial		
Current (0 -30 days)	213,195	136,813
31 - 60 days	94,586	119,032
61 - 90 days	136,386	112,817
91 + days	4,923,985	5,181,087
	5,368,152	5,549,749
Less: Allowance for impairment	(5,139,281)	(5,386,034)
	228,871	**163,715**
National and provincial government		
Current (0 -30 days)	405,389	128,961
31 - 60 days	189,699	113,680
61 - 90 days	189,699	106,977
91 - 120 days	1,696,779	373,598
	2,481,566	723,216
Less: Allowance for impairment	-	(595,275)
	2,481,566	**127,941**
Total		
Current (0 -30 days)	1,182,299	580,893
31 - 60 days	529,960	522,668
61 - 90 days	753,147	497,974
91 - 120 days	19,674,990	17,529,312
	22,140,396	19,130,847
Less: Allowance for impairment	(19,288,715)	(17,996,281)
	2,851,681	**1,134,566**
Less: Provision for debt impairment		
General and specific impairment	(19,288,715)	(17,996,281)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(22,672,457)	(20,875,259)
Contributions to allowance	3,383,742	2,878,978
	(19,288,715)	**(17,996,281)**

Figures in Rand	2016	2015

6. Cash and cash equivalents

	2016	2015
Cash on hand	1,353	3,451
Cash at bank	3,460,266	4,226,084
Call Investment deposits	63,315,668	140,804,807
	66,777,287	145,034,342
	66,777,287	**145,034,342**

The municipality had the following bank and investment accounts:

Account number / description	**Bank statement balances**			**Cash book balances**		
	June 30, 2016	**June 30, 2015**	**June 30, 2014**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Account number / description (Continued)	**Bank statement balances**			**Cash book balances**		
	June 30, 2016	**June 30, 2015**	**June 30, 2014**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
First National Bank Limited - Account number 62562355373	437,138	-	-	437,138	-	-
First National Bank Limited - Account number 62562352410	357,143	-	-	357,143	-	-
First National Bank Limited - Account number 62562829188	23,425	-	-	23,425	-	-
First National Bank Limited - Account number 62562827364	433,699	-	-	433,699	-	-
First National Bank Limited - Account number 62562354002	359,774	-	-	359,774	-	-
First National Bank Limited - Account number 62231175953	8,700,494	6,886,128	3,651,650	3,460,266	4,225,986	(2,141,510)
Standard Bank Limited - Account Number 280775954	1,749,621	1,750,377	1,750,965	1,749,622	1,750,377	1,750,965
ABSA Bank Limited - Account number 9057233364	683,539	657,702	636,094	686,123	659,640	637,741
ABSA Bank Limited - Account Number 9056533115	43,934	42,464	41,254	44,084	42,567	41,345
First National Bank Limited - Account Number 62015966099	5,873	5,815	5,757	5,874	5,815	5,757
ABSA Bank Limited - Account Number 9205591041	1,733,796	1,667,488	1,611,434	1,740,137	1,672,215	1,615,738
First National Bank Limited - Account Number 62231177769	369,565	347,444	901,011	369,565	347,444	901,011
First National Bank Limited - Account Number 62231195323	92,424	89,438	87,337	92,524	89,438	87,337
ABSA Bank Limited - Account number 9100317908	180,875	174,082	168,287	181,536	174,575	168,737
First National Bank - Account Number 62232870487	746,572	720,363	699,893	746,573	720,363	699,893
ABSA Bank Limited - Account number 9110889747	284,263	281,560	280,088	284,626	281,687	280,169
First National Bank - Account Number 74321424942	55,457,177	134,384,097	106,846,239	55,803,825	135,060,784	107,324,899
Cash on hand	-	-	-	1,353	3,451	451
Total	**71,659,312**	**147,006,958**	**116,680,009**	**66,777,287**	**145,034,342**	**111,372,533**

Note 11 "Unspent conditional grants" reflects details as to which bank accounts are used for the various grants.

First National Bank Limited - Account Number 62231175953 is the municipality's primary bank account.

Figures in Rand	2016	2015

7. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	47,080,100	-	47,080,100	47,080,100	-	47,080,100

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	47,080,100	47,080,100

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	47,080,100	47,080,100

GRAP 100 Discontinued operations with an effective date 1 April 2014 was amended to exclude the requirement to separately disclose non-current asset held for sale. In accordance with the transitional provisions contained in GRAP 100.15 an amount of R957 000 previously included in non-current assets held for sale has been transferred back to Investment Property in year 2014/15.

Rental income and operating expenditure relating to investment property was identified as not being material. As such these amounts have not been separately disclosed.

8. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	46,937,539	(21,547,271)	25,390,268	46,018,997	(19,998,092)	26,020,905
Other Assets	100,382,348	(24,623,079)	75,759,269	59,151,606	(11,458,558)	47,693,048
Infrastructure and community assets	681,276,799	(346,820,046)	334,456,753	649,961,890	(297,637,921)	352,323,969
Landfill site	6,336,479	(4,841,890)	1,494,589	6,336,479	(2,439,415)	3,897,064
WIP	87,469,160	-	87,469,160	44,936,802	-	44,936,802
Total	**922,402,325**	**(397,832,286)**	**524,570,039**	**806,405,774**	**(331,533,986)**	**474,871,788**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and Buildings	26,020,905	33,360	-	885,182	(1,549,179)	25,390,268
Other Assets	47,693,048	41,230,741	-	-	(13,164,520)	75,759,269
Infrastructure and community assets	352,323,969	-	(2,517,045)	36,575,077	(51,925,248)	334,456,753
Landfill site	3,897,064	-	-	-	(2,402,475)	1,494,589
WIP	44,936,802	79,992,617	-	(37,460,259)	-	87,469,160
	474,871,788	**121,256,718**	**(2,517,045)**	**-**	**(69,041,422)**	**524,570,039**

Included in additions or plant and machinery is an amount of R34 318 050 relating to assets acquired under a finance lease in 2014/15 and R36 032 795 relating to assets acquired under finance lease in 2015/16 Financial period. Refer to note 37 for details pertaining to the lease.

GRAP 100 Discontinued operations with an effective date 1 April 2014 was amended to exclude the requirement to separately disclose non-current asset held for sale. In accordance with the transitional provisions contained in GRAP 100.15 an amount of R1 157 500 previously included in non current assets held for sale has been transferred back to property, plant and equipment and is included as part of land and buildings in Year 2014/15.

Reconciliation of property, plant and equipment - 2015

Notes to the Annual Financial Statements

Figures in Rand

8. Heritage assets (continued)

	Opening balance	Additions	Change in Estimate	Disposals	Transfers	Depreciation	Total
Land and Buildings	27,395,086	134,064	-	-	-	(1,508,245)	26,020,905
Other assets	11,538,191	39,437,896	-	-	-	(3,283,039)	47,693,048
Infrastructure and community assets	388,195,919	-	-	(2,281,326)	17,614,185	(51,204,809)	352,323,969
Landfill site	2,179,106	-	4,120,433	-	-	(2,402,475)	3,897,064
WIP	17,415,566	45,135,421	-	-	(17,614,185)	-	44,936,802
	446,723,868	**84,707,381**	**4,120,433**	**(2,281,326)**	**-**	**(58,398,568)**	**474,871,788**

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,016,317	(341,001)	675,316	610,417	(163,560)	446,857

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	446,857	405,900	(177,441)	675,316

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	87,993	442,263	(83,399)	446,857

Figures in Rand	2016	2015

10. Payables from exchange transactions

	2016	2015
Trade payables	7,001,817	9,187,608
Debtors with credit balances	2,022,893	598,114
Accrued leave pay	4,640,008	3,756,494
Accrued bonus	1,649,085	826,848
Contract retentions	2,120,548	221,313
Other creditors	160,031	177,905
	17,594,392	**14,768,282**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2016	2015
Municipal Infrastructure Grant (MIG) (Account Number: 74321424942)	-	15,978,536
IEC Grant	1,000,000	-
	1,000,000	**15,978,536**

Movement during the year

	2016	2015
Balance at the beginning of the year	15,978,536	20,053,536
Additions during the year	57,333,000	46,565,000
Income recognition during the year	(72,311,536)	(50,640,000)
	1,000,000	**15,978,536**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

See note for reconciliation of grants from National/Provincial Government.

The reconciliation pertaining to MIG is included as part of Note 15 "Government grants and subsidies".

Figures in Rand	2016	2015

12. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Interest	Change in estimate	Total
Environmental rehabilitation	6,914,675	-	408,312	7,322,987
Other provisions	315,243	30,705	-	345,948
	7,229,918	**30,705**	**408,312**	**7,668,935**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Interest	Change in Estimate	Total
Environmental rehabilitation	2,402,846	-	391,396	4,120,433	6,914,675
Other provisions	291,694	23,549	-	-	315,243
	2,694,540	**23,549**	**391,396**	**4,120,433**	**7,229,918**

Analysis of provisions:

	2016	2015
Non-current liabilities	7,322,987	6,914,675
Current liabilities	345,948	315,243
	7,668,935	**7,229,918**

Environmental rehabilitation provision

Willowvale site

The License for the closure of the Willowvale site was extended on the 08 September 2015 for a period of 2 years.

An environmental specialist has been appointed to assist the Municipality with the management and closure of this site. The environmental specialist has undertaken a site visit and prepared preliminary designs and costing of works to be completed. Interactions with the Licensing authority are currently in progress.

Given that the site is expected to be closed within the next 12 months the costing prepared by the environmental specialist have been used as the basis for the rehabilitation provision. Where appropriate a discount rate of 6% was used.

The landfill site's lifespan expectancy from the end of the financial year is expected to be 1 year 2 months.

Dutywa site

The License for the closure of Dutywa site was extended on the 8 September 2015 for a period of 2 years.

An environmental specialist has been appointed to assist the Municipality with the management and closure of this site. The environmental specialist has undertaken a site visit and prepared preliminary designs and costing of works to be completed. Interactions with the Licensing authority are currently in progress.

Given that the sites are expected to be closed within the next 12 months the costing prepared by the environmental specialist have been used as the basis for the rehabilitation provision. Where appropriate a discount rate of 6% was used.

The landfill site is lifespan expectancy from the end of the financial year is expected to be 1 year 2 months.

Figures in Rand	2016	2015

12. Provisions (continued)

Elliotdale site

The Elliotdale site's license is valid until 17 December 2020, but is reviewed every 5 years.

An environmental specialist has been appointed to assist the Municipality with the management of this site. A recent review of the facilities indicated that the site needs to be upgraded to meet current environmental and legislative requirements. The environmental specialist has undertaken a site visit and prepared preliminary designs and costing of works to be completed to enable the landfill site to continue operating as envisaged. Interactions with the Licensing Authority are currently in progress.

Based on the past usage the environmental specialist estimates that the landfill capacity is adequate up to 2037 provided:

- regular site upgrades are effected,
- the operations are properly managed and
- the license is renewed every 5 years

The provision for land rehabilitation is based on the current cost of the following activities being undertaken to close the site in 2037:

- Closing 1 cell, including capping
- Rehabilitation of the Leachate Pond
- Removal of any structures
- Storm water control
- Greening of site
- Ground water monitoring

The landfill site's lifespan expectancy from the end of the financial year is expected to be 22 years. Where appropriate a discount rate of 6% was used.

Other Provisions

This amount comprises a provision in favour of SARS for PAYE and resultant penalties and interest relating to a lumpsum payment made to a former Municipal Manager for which no PAYE was withheld. The Municipality has requested a tax directive from SARS. The likelihood and timing of the settlement is not as yet certain.

13. Employee benefit obligations

Defined benefit plan

The municipality has an unfunded defined benefit plan that relates to long service awards. Benefits in the form of additional leave days and cash rewards accrue to employees based on the number of years of experience.

An actuarial valuation was performed using generally accepted actuarial principles.

The reporting entity and those charged with the governance of the entity are responsible for determining the assumption used in valuations of this nature and should give evidence of their approval of the assumptions.

The disclosure shown below assumes that actuarial gain and losses are recognised immediately as required in terms of GRAP 25.

Defined benefit obligation

	2016	2015
Opening balance	2,393,117	1,841,507
Benefits paid	(250,325)	(206,346)
Net expense recognised in the statement of financial performance	586,062	757,956
	2,728,854	**2,393,117**

Amount recognised in surplus and deficit

	2016	2015
Service cost	324,951	248,499
Interest cost	190,833	151,390
Actuarial losses	70,278	358,067
	586,062	**757,956**

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Amount recognised in statement of financial position

Benefit obligation	2,728,854	2,393,116

Reconciliation of net statement of financial position amount

Opening balance	2,393,117	1,841,507
Amount recognised in Statement of Financial Performance	586,062	757,956
Payment made to pensioners	(250,325)	(206,346)
	2,728,854	**2,393,117**

Key assumptions

Discount rates used	8.77 %	8.50 %
Salary escalation rate	7.27 %	7.00 %

The above discount rates have been based on market indicators at each year end. For 2016 the rate is based on market yields on government bonds as at the end of June 2016 as published by the Bond Exchange of South Africa. The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation.

For the purposes of the valuation the difference between the discount rate and the salary inflation rate is more significant than the individual items. The salary inflation gap of 1.5% applied in 2016 [2015: 1.5%] is consistent with rates generally used in the market for the valuation of benefits of this nature.

The results of the valuation are sensitive to the assumptions chosen.

Sensitivities

1% increase in discount rate	-	-
Decreases in defined benefit obligation	2,558,887	2,238,712
Percentage	6.2 %	(6.5)%
1% decrease in discount rate	-	-
Increases in defined benefit obligation	2,921,172	2,568,413
Percentage	7.1 %	7.3 %
1% increase in salary inflation	-	-
Increases in defined benefit obligation	2,922,118	2,582,358
Percentage	7.1 %	7.9 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The municipality makes contributions to the following plans:
- South African Municipal Workers Union National Provident Fund
- Eastern Cape Municipal Pension Fund
- Eastern Cape Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:
- HOSMED
- Key health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

These contributions have been expensed.

Figures in Rand	2016	2015

14. Revenue

Service charges	1,322,908	1,820,166
Rental of facilities and equipment	1,560,004	1,015,779
Recoveries	3,383,742	4,676,176
Other income	1,468,531	1,085,073
Interest received - investment	9,004,105	9,068,446
Property rates	7,701,146	6,314,558
Licences and permits	731,769	742,726
Government grants & subsidies	289,997,410	220,520,286
Fines and Penalties	2,208,895	392,313
	317,378,510	**245,635,523**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,322,908	1,820,166
Rental of facilities and equipment	1,560,004	1,015,779
Recoveries	3,383,742	4,676,176
Other income (Refer to note 18)	1,468,531	1,085,073
Interest earned - investments	9,004,105	9,068,446
	16,739,290	**17,665,640**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	7,701,146	6,314,558
Licence and permits	731,769	742,726
Transfer revenue		
Government grants & subsidies	289,997,410	220,520,286
Fines and penalties	2,208,895	392,313
	300,639,220	**227,969,883**

Figures in Rand	2016	2015

15. Government grants and subsidies

Equitable share	193,756,000	162,715,000
Municipal System Improvement Grant	930,000	934,000
Integrated Electrification Programme	20,000,000	3,000,000
Finance Management Grant	1,600,000	1,600,000
Other government grants	47,874	178,286
Municipal Infrastructure Grant	72,311,536	50,640,000
Library subsidies	300,000	300,000
Extended Public Works Programme	1,052,000	1,153,000
	289,997,410	**220,520,286**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	95,893,536	57,327,000
Unconditional grants received	194,103,874	163,193,286
	289,997,410	**220,520,286**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Finance Management Grant

Current-year receipts	1,600,000	1,600,000
Conditions met - transferred to revenue	(1,600,000)	(1,600,000)
	-	-

The Financial Management Grant is a conditional grant. The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA reforms including budgeting, reporting and financial processes.

Municipal Systems Improvement Grant

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

The Municipal Systems Improvement Grant is a conditional grant. The purpose of the MSIG is to support municipalities in building in-house capacity in terms of systems focusing on Local and Economic Development; financial viability, institutional development and good governance.

Municipal Infrastructure Grant

Balance unspent at beginning of year	15,978,536	20,053,536
Current-year receipts	56,333,000	46,565,000
Conditions met - transferred to revenue	(72,311,536)	(50,640,000)
	-	**15,978,536**

The Municipal Infrastructure Grant is a conditional grant, the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of basic infrastructure for the poor. It is part of government's overall strategy to eradicate poverty and to create conditions for local economic development. The Municipality utilises these funds to primarily fund access roads and related infrastructure.

In year 2014/15 an amount of R7,462,000 was withheld by National Treasury due to unsatisfactory spending patterns at mid year.

Figures in Rand	2016	2015

15. Government grants and subsidies (continued)

IEC Grant

Current-year receipts	1,000,000	-

Conditions still to be met - remain liabilities (see note 11).

This Grant was received from Provincial Cooperative Governance and Traditional Affairs (COGTA) towards provision of access to voting stations in preparation of local government elections for 2016.

EPWP

Current-year receipts	1,052,000	1,153,000
Conditions met - transferred to revenue	(1,052,000)	(1,153,000)
	-	-

The Expanded Public Works Programme (EPWP) is a conditional grant and is one of government's short-to-medium term programs aimed at alleviating and reducing unemployment. The EPWP will achieve this aim through the provision of work opportunities coupled with training.

Integrated Electrification Programme

Current-year receipts	20,000,000	3,000,000
Conditions met - transferred to revenue	(20,000,000)	(3,000,000)
	-	-

The Integrated Electrification Programme is a conditional grant. The purpose of the Integrated Electrification Programme Grant is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme.

16. Other revenue

Debt impairment recovered	3,383,742	4,676,176
Other income	1,468,531	1,085,073
	4,852,273	**5,761,249**

17. Property rates

Rates charged

Assessment rates	7,701,146	6,314,558

The above amounts are net of rebates amounting to R279 387.99 (2015: R250 717)

Valuations

Residential	19,140,130,300	19,140,130,300
Commercial	16,068,465,800	16,068,465,800
State	15,924,730,000	15,924,730,000
Municipal	26,433,124,500	26,433,124,500
	'7,566,450,600	**'7,566,450,600**

The Applicable gerenal rates for current financial period and its comaparative year is as follows:

A general rate of R 0.14 (2016: R 0.13) is applied to residential property valuations to determine assessment rates.
A general rate of R 0.015 (2015: R 0.14) is applied to business property valuations to determine assessment rates.
A general rate of R 0.018 (2015: R 0.17) is applied to government property valuations to determine assessment rates.

Figures in Rand	2016	2015

18. Service charges

Refuse removal	1,322,908	1,820,166

The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

19. Other income

Administration Fees	301,849	343,463
Building Plans	136,112	36,537
Burial and cemetery	3,250	2,243
Drivers and license testing ground fees	-	252,664
Public Toilets	86,394	45,956
Pound Fees	269,654	102,414
Roadworthy certificates	-	17,654
Sundry income	671,272	284,142
	1,468,531	**1,085,073**

20. Interest received - external investments

Interest revenue

Interest on bank accounts and investment balances	9,004,105	9,068,446

21. Employee related costs

Bargaining council contributions	14,844	12,222
Basic	44,533,550	30,070,073
Bonus (13th cheque)	3,372,320	2,055,560
Casual wage employment	10,689,002	2,522
Cellphone Allowance	554,217	144,540
Housing benefits and allowances	1,474,473	1,197,295
Leave related costs	1,480,336	318,133
Long-service awards	335,737	551,610
Medical aid - company contributions	2,521,646	2,327,802
Overtime payments	4,105,128	1,228,537
Post-employment benefits	5,861,035	3,916,516
Skills Development Levy	872,427	596,826
Stand by Allowances	73,389	5,828
Travel, motor car, accommodation, subsistence and other allowances	1,062,420	581,355
Unemployment Insurance Fund	464,942	307,850
Workmens Compensation	2,075,476	-
	79,490,942	**43,316,669**

Figures in Rand	2016	2015

21. Employee related costs (continued)

Remuneration of Acting Municipal Manager

Annual remuneration	-	101,022
Contributions to UIF, medical and pension funds	-	2,042
Travel, motor car, accommodation, subsistence and other allowance	-	7,043
	-	**110,107**

The following officials acted as Municipal Manager:

Mr M F Nofemela (August 2014 - February 2015)

Remuneration of Municipal Manager

Annual remuneration	960,362	219,228
Backpay	276,456	-
Travel, motor car, accommodation, subsistence and other allowance	175,977	73,324
Contributions to UIF, medical and pension funds	72,201	3,522
	1,484,996	**296,074**

Mr S V Poswa was appointed Municipal Manager from March 2015

Remuneration of Chief Finance Officer

Annual remuneration	645,485	366,719
Backpay	72,984	23,685
Bonus	36,000	13,500
Leave pay	-	68,317
Travel, motor car, accommodation, subsistence and other allowance	276,720	69,880
Contributions to UIF, medical and pension funds	1,785	6,912
Acting allowance	-	76,921
	1,032,974	**625,934**

The former Chief Financial Officer, Mr S Ndakisa, resigned in November 2014

Mr X Sikobi was appointed as Chief Financial Officer from 01 July 2015

Remuneration of Acting Chief Financial Officer

Annual remuneration	-	129,271
Backpay	-	51,461
Bonus	-	18,212
Acting allowance	-	323,322
Travel, motor car, accommodation, subsistence and other allowance	-	4,485
Contributions to UIF, medical and pension funds	-	47,723
	-	**574,474**

Mr L Nondonga was appointed as acting CFO from December 2014 and Mr V Jam Jam was appointed acting Chief Financial Officer from February 2015 to June 2015

Remuneration of Senior Manager - Community Services

Annual remuneration	778,808	713,494
Backpay	39,576	52,122
Bonus	24,000	59,063
Travel, motor car, accommodation, subsistence and other allowance	168,006	168,006
Contributions to UIF, medical and pension funds	1,785	11,478
	1,012,175	**1,004,163**

Figures in Rand	2016	2015

21. Employee related costs (continued)

Remuneration of Acting Senior Manager Corporate Services

Annual remuneration	-	347,210
Acting allowance	-	540,683
Travel, motor car, accommodation, subsistence and other allowance	-	35,857
Contributions to UIF, medical and pension funds	-	94,523
	-	**1,018,273**

The following officials acted as Senior Manager Corporate Services in the year 2014/15:

Miss G Sityata (July 2014 to March 2015

Mr Nako (April 2015 to May 2015)

Remuneration of Senior Manager Corporate Services

Annual remuneration	701,635	47,268
Backpay	106,103	-
Bonus	72,000	-
Travel,motorcar,accomodation,subsistance and other allowances	209,085	-
Contributions to UIF, medical and pension funds	41,943	621
	1,130,766	**47,889**

Mr M P Nini was appointed as a Senior Manager from June 2015.

Remuneration of Senior Manager Infrastructure Services

Annual remuneration	772,136	706,951
Backpay	39,497	52,019
Bonus	80,000	46,667
Travel, motor car, accommodation, subsistence and other allowance	116,755	132,467
Contributions to UIF, medical and pension funds	119,241	10,348
	1,127,629	**948,452**

Miss N Y Mqoqi was appointed as a Senior Manager from 1 April 2014.

Remuneration of Senior Manager Operations

Annual remuneration	434,148	-
Backpay	34,324	-
Bonus	24,000	-
Leave pay	95,136	-
Travel, motor car, accomodation,subsistence and other allowances	59,224	-
Contributions to UIF,Medical and Pension Funds	72,281	-
	719,113	**-**

Mr M Nako was appointed as Senior Manager from 15 December 2015.

Figures in Rand	2016	2015

21. Employee related costs (continued)

Remuneration of Senior Manager Planning and Development

Annual remuneration	802,807	737,494
Backpay	39,576	52,122
Travel, motor car, accommodation, subsistence and other allowance	168,006	168,006
Contributions to UIF, medical and pension funds	1,785	11,127
	1,012,174	**968,749**

The Municipality has adopted a new organogram for the year commencing 1 July 2013. This resulted in "Land and Housing" department and "Local Economic Development" department being merged to form a new department called " Planning and Development". Mr C B Mqingwana was appointed as a Senior Manager from 04 March 2014.

22. Remuneration of Councillors

Council remuneration and allowances	23,984,032	21,814,912

Analysis of council remuneration		
Mayor	764,097	723,145
Speaker	610,106	577,576
Traditional leaders	360,000	133,450
Executive committee members	3,484,739	3,290,732
Councillors remuneration	11,937,136	10,900,973
Councillors allowances	3,085,754	1,561,297
Ward committee remuneration	3,742,200	4,627,735
	23,984,032	**21,814,908**

23. Finance costs

Interest paid on trade and other payables	137,390	10,990
Finance cost on lease liability	14,748,645	3,433,436
Rehabilitation of landfill sites	408,312	391,397
	15,294,347	**3,835,823**

24. Debt impairment

Contributions to debt impairment provision - consumer debtors	-	1,707,577
Bad debts written off	2,084,685	846,578
	2,084,685	**2,554,155**

Figures in Rand	2016	2015

25. Administrative and other expenditure

Advertising	328,767	562,879
Audit committee fees	245,087	482,628
Auditors remuneration	3,210,820	2,893,254
Bank charges	195,618	410,168
Cleaning	403,461	356,055
Community development and public participation	1,164,971	568,391
Conferences and seminars	165,172	7,000
Consumables	635,660	1,513,604
ECDC Facilities	847,109	-
Donations	482,087	188,965
Electricity	483,112	509,971
Entertainment	1,356,667	628,332
Equipment and plant hire	849,583	399,854
Expanded Public Works Programme	3,046,720	5,621,440
Flowers	842,268	226,853
Fuel and oil	3,541,010	1,221,431
IT Expenses	1,169,312	758,077
Indigent support	4,342,348	2,454,341
Insurance	1,756,126	707,229
Lease rentals on operating lease	937,412	1,436,337
Legal expenses	3,362,110	2,866,861
Magazines, books and periodicals	214,772	381,029
Medical expenses	16,013	11,925
Motor vehicle expenses	168,164	183,181
Other expenses	7,306,137	10,417,663
Interest and Penalties	2,095,576	163,763
Postage and courier	15,972	10,105
Printing and stationery	839,706	566,217
Professional fees	1,323,137	260,184
Projects	13,150,077	9,803,467
Promotions and Branding	44,550	-
Protective clothing	526,132	631,774
Refuse	290,720	844,260
Repairs and maintenance	63,757,565	12,654,959
Security	5,873,425	3,079,440
Software expenses	671,836	482,087
Special programme	1,742,454	1,943,984
Subscriptions and membership fees	1,672,280	353,092
Telephone and fax	1,085,673	1,412,868
Tourism development	950,648	950,620
Training	1,212,771	587,635
Travel - local	6,207,551	3,332,963
Water	165,821	2,891,296
	138,696,400	**74,776,182**

26. Auditors' remuneration

Fees	3,210,820	2,893,254

Figures in Rand	2016	2015

27. Commitments

Authorised capital expenditure

Approved and contracted for		
• Land and buildings	3,241,461	-
• Infrastructure	137,955,040	60,746,638
• Community Halls	1,884,424	-
	143,080,925	**60,746,638**

Figures in Rand	2016	2015

28. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include Councillors, key management personnel and close members of family.

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager and supply chain officials.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public.

Related party balances

	2016	2015
Loan accounts - Owing by related parties		
N Lumkwana	-	6,776
N Mtsi	84	84
Nonjaca NV	-	5,061
N Mlungu	1,699	1,526
N Janda	2,543	2,150
M Potelwa	2,443	-
Amounts regarding deposits received from related parties for sale of land		
M Peter	58,800	58,800
C Mqingwana	62,100	62,000
M Mbomvu	15,000	15,000
M Mcotsho	20,000	20,000
N N Ndlodaka	69,000	69,000
M Noyila	15,000	15,000
M Mfecane	20,000	20,000
M Nako	48,800	68,800

In the prior years the municipality sold land to the community. Included in deposits received are the above amounts from councillors and employees of the municipality.

The land has not been transferred to the buyers. Transfer will only take place when the full price of the property has been paid.

Related party transactions

During the year the Municipality rendered services to various Councillors residing within its jurisdiction. These services include rates and refuse charges.

The services rendered to related parties are charged at approved tariffs that were advertised to the general public. Amounts outstanding are unsecured and will be settled in cash.

Key management information

Position	Name	Description
Municipal Manager	Mr SV Poswa	Employed in terms of Section 56 of MSA
Chief Financial Officer	Mr CX Sikobi	Employed in terms of Section 57 of MSA
Senior Manager Infrastructure Services	Ms NY Mqoqi	Employed in terms of Section 57 of MSA
Senior Manager Corporate Services	Mr MP Nini	Employed in terms of Section 57 of MSA
Senior Manager Community Services	Mr M Mtongana	Employed in terms of Section 57 of MSA
Senior Manager Operations	Mr M Nako	Employed in terms of Section 57 of MSA
Senior Manager Planning and Development	Mr CB Mqingwana	Employed in terms of Section 57 of MSA

29. Unauthorised expenditure

Opening balance	57,447,698	36,929,525
Unauthorised expenditure current year - non cash item - Depreciation and Amortisation	30,916,623	20,518,173
	88,364,321	**57,447,698**

Unauthorised expenditure relates to depreciation incurred but were not budgeted for by the municipality as the amount relates to accounting estimate.

A report on unauthorised expenditure incurred will be submitted to the council for consideration in the 2016/2017 financial year.

Details of unauthorised expenditure - current year	Steps taken	
Depreciation under - budgeted for	To be submitted to Council for investigation in 2016/2017	30,326,761

30. Fruitless and wasteful expenditure

Opening balance	6,251,638	6,002,126
Fruitless and wasteful expenditure - current year	131,090	249,512
	6,382,728	**6,251,638**

Details / incidents of fruitless and wasteful expenditure relating to this period only		
Interest levied by Workmen`s Compensation on late payment of COIDA prior year assessments	113,605	-
Interest on overdue accounts	17,485	10,990
Fruitless and wasteful expenditure identified by internal audit	-	238,521
	131,090	**249,511**

A report on fruitless and wasteful expenditure incurred will be submitted to the Council for consideration in the 2016/2017 and then referred to Municipal Public Accounts Committee.

No fruitless and wasteful expenditure was written off or recovered during the year.

31. Irregular expenditure

Opening balance	269,573,814	169,551,923
Add: Irregular Expenditure - current year	79,111,089	100,021,891
	348,684,903	**269,573,814**

During the financial year under review the municipality conducted a special review of all transactions from the 2011/2012 financial year to 2015/2016 financial year in order to compile a comprehensive list of irregular expenditure.

A report on irregular expenditure incurred will be submitted to the Council for consideration in the 2016/2017 financial year.

31. Irregular expenditure (continued)

Details of irregular expenditure – current year

Bid evaluation discrepancies identified	6,694,738
Limitation of scope - No supporting documentation	8,637,718
No bid specification/adjudication minutes	10,615,503
No Municipal rates clearance certificate/lease agreement	42,821,439
No proof of advertisement	7,190,206
Medichex Employer Contribution - Unaccredited medical aid	382,384
Bidder`s CIDB grading not suitable for the value of the contract	2,769,101
	79,111,089

Analysis of Irregular Expenditure Balance - current year

Irregular Expenditure identified by A2A KOPANO Investigation - Recurring from prior years	75,959,604	99,306,690
Medichex Employer contribution - unaccredited medical aid	382,384	715,201
Irregular Identified during the Annual Audit	2,769,101	-
	79,111,089	**100,021,891**

32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA Fees

Opening balance	557,850	435,873
Current year subscription / fee	1,150,210	593,850
Amount paid - current year	(1,160,210)	(36,000)
Amount paid - previous years	(131,000)	(435,873)
	416,850	**557,850**

Audit fees

Current year subscription / fee	3,210,820	2,893,254
Amount paid - current year	(3,210,820)	(2,893,254)
	-	-

PAYE and UIF

Current year subscription / fee	13,239,021	9,992,282
Amount paid - current year	(13,239,021)	(9,992,282)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	7,621,899	9,589,386
Amount paid - current year	(7,621,899)	(9,589,386)
	-	-

The municipality does not contribute to councillors' medical aid and pension plans.
Refer to Note 28 "Related parties" for disclosure of amounts owed by councillors.

32. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	14,233,136	10,926,443

All VAT returns for the financial period except December and January were submitted by the due dates.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. Refer to note 44

Incident		
Other minor breaches	13,737,681	546,045
Information technology upgrade	-	310,078
Upgrading of electricity services	-	3,000,000
Upgrading of road infrastructure	-	70,972,197
Financial support to LED projects	4,898,800	-
Renovations to Municipal sites	1,235,941	-
	19,872,422	**74,828,320**

33. Contingencies

Contingent liabilities

The municipality is currently party to the following contingent liabilities:	Projected cost
Mbhashe Local Municipality vs Incremate (Pty) Ltd	69,000,000
Mbhashe Local Municipality vs Nkosinathi Ndlodaka	400,000
Mawethu Sakwe vs Mbhashe Local Municipality	5,880
Mbhashe Local Municipality vs Emmanuel Anyimadu	56,000
Moses Mbambo vs Mbhashe LM and others	220,000
	69,681,880

Contingent assets

The following are cases where the Municipality is a claimant:

The municipality is currently party to the following litigations:	Projected cost
Land Invaders - Elliotdale	150,000
Mbhashe LM vs Juspo	60,000
Mbhashe LM vs Maqhula	8,000
Mbhashe LM vs Landisile Mithi & Others	119,303
Mbhashe LM vs B.S Titus Holdings & BP Garage	90,000
Mbhashe LM vs Mfecane, Mbomvu & Janda	105,136
	532,439

The folllowing are Litigations the Municipality is the claimant, for which no estimate is available:

Mbhashe Local Municipality vs Zizi Agricultural Co-op and another

Mbhashe Local Municipality vs Mthetheleli Bhele & others

Mbhashe Local Municipality vs Somhlahlo

Mbhashe Local Municipality vs Phakama Gatyana

Mbhashe Local Municipality vs Nkosinathi Ndlodaka

Mbhashe Local Municipality vs Thembelani Marafane

34. Cash generated from operations

(Deficit) surplus	(13,805,521)	38,582,535
Adjustments for:		
Depreciation and amortisation	69,116,580	58,473,922
Loss/(gain) on sale of assets and liabilities	2,517,045	2,281,325
Debt impairment	2,084,685	2,554,155
Movements in operating lease assets and accruals	(14,108)	(4,157)
Movements in retirement benefit assets and liabilities	335,737	551,610
Movements in provisions	439,017	4,535,378
Other non cash movement as a result of change in accounting for a lease debtor.	-	(1,271,638)
Other non cash items resulting from prior period errors.	(9,240,809)	(4,756,399)
Changes in working capital:		
Receivables from exchange transactions	(204,735)	(1,201,122)
Consumer debtors	(1,717,115)	602,532
Other receivables from non-exchange transactions	233,824	153,564
Payables from exchange transactions	2,826,100	6,413,326
VAT	(3,306,693)	(8,292,410)
Unspent conditional grants and receipts	(14,978,536)	(4,075,000)
	34,285,471	**94,547,621**

35. Risk management

Financial risk management

The Municipality is exposed to the following risks:
- market risk (including interest rate risk);
- credit risk; and
- liquidity risk

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The Finance Department monitors the cash flow requirements on a regular basis.

The Municipality's investment portfolio consists of short term deposits and current accounts with a notice period of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk consists primarily of interest rate risk
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cash flow risk exposures on long-term financing.

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The Municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the entity's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only creditworthy counterparts.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumers, dispersed across different industries and geographical areas. Trade receivables are presented net of an allowance for impairment.

The existing trade receivable portfolio has historically been significantly impaired as a result of a number of contributing factors, including an inaccurate and unreliable customer database. The municipality has started the process of cleansing its trade receivable portfolio to ensure completeness of its trade receivables. All policies affecting trade receivables have been reviewed and updated to assist the municipality in the cleansing process. Refer note 4 for more detailed information on the composition of the trade receivables portfolio.

Except for trade receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Cash and cash equivalents (including investments) are held with the following counter parties:	2016	2015
ABSA Bank	2,936,506	2,830,684
First National Bank (Primary Bank)	62,089,806	140,449,830
Standard Bank	1,749,622	1,750,377

36. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Heritage Assets which fair values cannot be reliably measured	9	-	9	9	-	9

Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Historical monuments	9	9

Reconciliation of heritage assets 2015

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Historical monuments	9	9

Heritage assets which fair values cannot be reliably measured

Graves, Caves and Memorial Sites

The Municipality`s heritage assets consists of graves,grave sites,traditional dwelling and caves. Their fair value cannot be reliably measured. Fair value cannot be determined reliably due to nature of the assets. The assets have been allocated a nominal value of R9 for record keeping.

Following is the list of heritage assets:
. Graves (Gcaleka`s Grave,King Hintsa`s Grave and King Sarhili`s Grave)
Memorial sites (Nqadu Great Place,Fort Bowker and Fort Malan Memorial) . Caves (Sinqumeni Caves,Ngqamakhwe Rock Art and Ludiza Cave) . Mhlakaza`s House
Nongqawuse`s House

37. Operating lease liability

Non-current liabilities	-	(3,169)
Current liabilities	-	(10,939)
	-	**(14,108)**

Future minimum lease payments

-Within one year	10 939
-In second to the fifht year inclusive -	3 168
-Sixth year and above	-

37. Operating lease liability (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
-Within one year	1 658 803	74 603
-In second to fifth year inclusive	2 494 360	19 084

At the Statement of Financial Position date, where the municipality is a lessee under operating leases, it will have an operating lease liability.

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. No contingent rental is payable.

The municipality is party to one lease commitment, which is a lease of a photocopiers. The lease will come to an end as at 31 July 2018.

38. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	318,453	552,277

Receivables from non-exchange transactions

Balance as at 30 June 2016	Opening balance	Amount Actual Written Off	Closing balance
SARS debtor	322,827	(268,227)	54,600
Other debtors	233,549	-	233,549
	556,376	**(268,227)**	**288,149**

Balance as at 30 June 2015	Gross balances	Provision for doubtful debts	Net balance
Recoveries of staff expenses	220,174	(220,174)	-
SARS debtor	322,827	-	322,827
Other debtors	338,695	(105,146)	233,549
	881,696	**(325,320)**	**556,376**

39. Finance lease obligation

Finance lease		
Minimum lease payments due		
- within one year	34,336,458	18,535,587
- in second to fifth year inclusive	16,440,324	24,714,116
	50,776,782	43,249,703
less: future finance charges	(9,608,875)	(13,070,750)
Present value of minimum lease payments	**41,167,907**	**30,178,953**

Present value of minimum lease payments due		
- within one year	25,980,985	10,281,999
- in second to fifth year inclusive	13,284,700	19,896,954
	39,265,685	**30,178,953**

During the year and the 2014/15 Mbhashe Local Municipality entered into a finance lease to purchase items of plant and equipment for the implementation of infrastructure related projects. The finance lease is for the period of 3 years with instalments payable monthly and bears an implicit interest rate of 32.25%(started 2014/15) 24%(started 2015/16) per annum. At the end of the lease period ownership of all assets will transfer to Mbhashe Local Municipality.

40. Financial instruments disclosure

Categories of financial instruments

Financial instruments are classified in the following categories:

Financial assets: At amortised cost

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. The amounts relating to financial instruments reflected below approximates fair value.

2016

Financial assets

	At amortised cost	Total
	-	-
Trade and other receivables from exchange transactions	920,234	920,234
Receivables from non-exchange transactions	318,453	318,453
Consumer debtors	2,851,681	2,851,681
Cash held with bank institutions	66,777,287	66,777,287
Vat receivable	18,037,580	18,037,580
	88,905,235	**88,905,235**

Financial liabilities

	At amortised cost	Total
Unspnt conditional grant and receipts	1,000,000	1,000,000
Accrued bonus	1,649,085	1,649,085
Staff leave accrual	4,640,008	4,640,008
Trade payables	7,001,817	7,001,817
Provisions	7,668,935	7,668,935
Employee benefits obligations	2,728,854	2,728,854
Sundry creditors	160,031	160,031
Contract retentions	2,120,548	2,120,548
Finance lease obligation	39,265,685	39,265,685
Debtors with credit balances	2,022,893	2,022,893
	68,257,856	**68,257,856**

Interest charged to overdue trade debtor accounts:

No interest is charged on over due trade debtor accounts. Had interest been charged at the prime interests rate the effects based on best estimate are as follows:

The net effect is not considered to have a material impact on the users understanding of the financial statements.

Interest charge at prime interest	-	2,160,329
Interest that would have been included in the impairment of debtors	-	(2,157,980)
	-	**2,349**

. Financial instruments disclosure (continued)

2015

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	556,377	556,377
Consumer debtors	668,594	668,594
Cash held with bank institutions	145,030,891	145,030,891
Trade and other receivables from exchange transactions	715,499	715,499
Vat receivable	10,915,401	10,915,401
	157,886,762	**157,886,762**

Financial liabilities

	At amortised cost	Total
Accrued bonus	826,848	826,848
Staff leave accrual	3,340,187	3,340,187
Trade payables	9,187,608	9,187,608
Provisions	7,229,918	7,229,918
Payments received in advance	670,686	670,686
Sundry creditors	150,496	150,496
Contract retentions	76,397	76,397
Operating lease liability	14,108	14,108
Operating lease liability	30,178,953	30,178,953
Unspent Conditional Grant and Receipts	15,978,536	15,978,536
	67,653,737	**67,653,737**

41. Depreciation and amortisation

Property, plant and equipment	69,116,580	58,473,922

42. Rental of facilities and equipment

Premises		
Premises	1,150,741	792,003
Rental of Halls	186,839	106,220
Rentals of Billboards	222,424	117,556
	1,560,004	**1,015,779**
Premises	1,560,004	1,015,779
Garages and parking	-	-
Facilities and equipment	-	-

43. Prior period errors

During the 2014/15 Audit period, the PPE note per the Annua Financial Statement was different from the Fixed Asset Register. There were journals in the general ledger that were not accounted for in the Fixed Asset Register. In addition to the PPE issues raised by AG our Service provider A2A Kopano discovered some movable assets that were indicated as disposed off last year in the Asset Register and then depreciated those asset from the date of purchase as a result our depreciation figure has been restated. There were some other items which were mapped incorrectly in year 2014/15 which have been since recorrected. The second restatement is as a result of Council Resolution which was taken to write off certain debtors from the system in 2013.

43.1 Accumulated surplus balance as at 1 July 2015

Accumulated surplus		
Opening balance at 1 July 2015 as previously reported	-	613,863,001
Adjustment to 2013/14 depreciation	-	(1,208,291)
Journal passed to Inplement 2013 Council Resolution	-	(1,553,514)
Journal passed to Implement 2013 Council Resolution	-	58,394
Journal passed to Inplement 2013 Council Resolution	-	(1,122,036)
Debtors restatement for a period before 2013/14	-	(4,391,651)
	-	**605,645,903**

43. Prior period errors (continued)

43.2 Effects of Restatement of prior period figures as a result of errors identified in the Statement of Financial Performance

The amounts reported in the 2014/15 annual financial statements have been restated for the errors identified below. A summary of the adjustments follows: Statement of Financial Performance

Surplus for the year as previously reported for the year ended 30 June 2015	-	36,359,531
Adjustment to 2014/15 depreciation	-	(1,787,046)
Correction of 2014 OBL - Additions capitalised inclusive of VAT	-	(233,323)
Reversal of unsupported disposals	-	93,244
Disposal and reallocation of unsupported journals	-	338,596
Reversal of unsupported journals from assets to expenses	-	(991,006)
Depreciation correction (2014/15)	-	16,091
Depreciation correction (2014/15)	-	5,921
Revenue restatement - as a results of Debtors restatements which affected Assessment Rates & Refuse	-	(329,095)
	-	**33,472,913**

Details of the above movements are provided below:

43.3 Statement of financial position
Property,plant and equipment

Balance previously reported as at 30 June 2015	-	478,493,225
Reversal of unsupported journals	-	93,244
Adjustment to 2014/15 depreciation	-	(1,787,046)
Adjustment to 2013/14 depreciation	-	(1,208,291)
Correction of 2014 OBL - Addition capitalised inclusive of VAT (Net of Accumulated depreciation)	-	(233,323)
Disposal and reallocation of unsupported journals	-	(652,409)
Correction of contract retention	-	144,375
Depreciation correction (2014/15)	-	16,091
Depreciation correction (2014/15)	-	5,921
	-	**474,871,787**

Payables from exchange transactions :
Contract Retentions

Balance previously reported as at 30 June 2015	-	76,937
Correction of contract retentions	-	144,376
Correction of casting error on prior year note	-	(9)
	-	**221,304**

Erregular Expenditure

Balance previously reported as at 30 June 2014	-	117,841,959
Restated balance	-	269,573,814
	-	**151,731,855**

Rental of Facilities and Equipment

Amount previously reported as at 30 June 2014	-	988,282
Comparative amount in 2016 AFS	-	991,114
	-	**(2,832)**

Licence and Permits

Amount previously reported as at 30 June 2015	-	722,749
Comparative amount in 2016 AFS	-	742,726

43. Prior period errors (continued)

	-	**(19,977)**

Depreciation and Amortisation

Amount previously reported as at 30 June 2014	-	56,708,888
Comparative amount in 2016 AFS	-	58,473,922
	-	**(1,765,034)**

Administrative and other Expenditure

Amount previously disclosed as at 30 June 2014	-	73,783,527
Comparative amount in 2016 AFS	-	74,797,342
	-	**(1,013,815)**

Consumer debtors

Detailed balance - Consumer debtors		
Gross amount as previously reported 30 June 2016		
> Assessment rates	-	18,903,610
> Basic Refuse	-	4,437,441
Debtors restatement journals		
> Journal (Mac`s journal 1 to 5) - Assessment rate debtors (Vote 9600-02-6-02-0102)	-	(667,991)
> Journal (Mac`s journal 1 to 5) - Basic refuse debtors (Vote 9600-02-6-02--0103)	-	238,594
> Journal (Mac`s journal 11 - 15) - Assessment rate debtors (Vote 9600-02-6-02-0102)	-	(24,442)
> Journal (Mac`s journal 11 to 15) - Basic refuse debtors (Vote 9600-02-6-02--0103)	-	(75)
> Adjustment of debtors accounts Levies/Balances 2014 & prior - Assessment rate debtors	-	(4,002,542)
> Adjustment of debtors accounts Levies/Balances 2014 & prior - Basic refuse debtors	-	(287,886)
>Journal Resolving Exception 36 of 2014/15	-	534,139
	-	**19,130,848**

VAT Receivable

Balance as previously reported 30 June 2015	-	10,915,401
VAT amount of restatement journals:		
>Journal Resolving Exc.20 of 2014/15(Journal 126 on Caseware)	-	403
>Journal Resolving Exc.20 of 2014/15(Journal 127 on Caseware)	-	1,544
>Journal Resolving Exc.20 of 2014/15(Journal 125 on Caseware)	-	16,380
>Journal for debtors write offs(Council resolution)(Caseware Jnl 86)	-	(40,464)
>Caseware journal 137 (Debtor write offs)	-	(2,607)
>Mac`s Journal 11 - 15 (Debtors write off) - Caseware journal 138	-	(3,445)
>Journal for debtors write offs(Council resolution)(Caseware Jnl 86)	-	(40,306)
>Caseware Journal 137 (Council Resolution-debtor write offs)	-	33,403
>Mac`s Journal 11 - 15 (Debtors write offs)- Caseware Jnl 138	-	(10)
>Journal for debtors write offs(Council resolution)(Caseware Jnl 86)	-	76,721
>Caseware Journal 137 (Council Resolution-debtor write offs)	-	(30,813)
>Mac`s Journal 11 - 15 (Debtors write offs)- Caseware Jnl 138	-	236
	-	**10,926,443**

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

45. Budget differences

Material differences between budget and actual amounts

45.1 The Service charges are reflecting a positive variance,this is mainly caused by the number of debtor accounts in the billing system vs the general valuation roll. The municipality has taken a decision to rectify this by writting off these accounts.

45.2 The Municipality increased its collection with regards to rentals due to an enhanced lease register and implementation of efficient controls.

45.3 The negative variance is a result of withdrawals by council from our reserves to enhance service delivery backlogs.The budget figure also included VAT refunds that are not necessarily our own generated revenue.

45.4 This positive variance is a result of debtors impairment that has gone down due to invalid and municipal accounts that has been written off. The municipality also embarked on an exercise to fully implement a council resolution taken in October 2013 to write off takeon balances that was not fully implemented. This also reduced the impairment provision by a significant amount resulting in favourable movement (i.e income)

45.5 The negative variance resulted from the withdrawals made by council from reserves to fastrack service delivery targets, these withdrawals will be refunded during the 2016/17 financial period.

45.6 The reason for the positive variance is that at mid-year the actual billing was slightly higher than budget projection and therefore the municipality adjusted its budget upwards.

45.7 The municipality was not able to re-open its license testing centre during the year under review, only leaners licenses were issued and therefore the budget had to be adjusted which led to a negative variance.

45.8 Grants are reflecting a negative variance due to the fact that the Municipality had to adjust its grants budget downwards due to an error that was made in the original budget for councillor allowances. The difference reflects Capital MIG portion of the grants.

45.9 The positive variance is caused by the collection rate that has increased in traffic fines. One of the main contributors to this variance is increase in human capital in the law enforcement department, which resulted in more traffic officers and capacity and enforcement of laws and by laws.

45.10 During the year the Municipality entered into a lease agreement to acquire additional plant and machinery, the variance is as result of the depreciation of the new Plant and Machinery.

45.11 Finance lease entered into for the acquisition of plant

45.12 This variance relates to the write - off which took place during the year, which relate to the 2013 council resolution that was not implemented fully and the clearing of invalid accounts and tenant accounts from debtors books.

45.13 The municipality restated the fixed asset register in 2015/16 which resulted in significant variances between the budget and actual figures.

45.14 The actual amount relates to refuse removal which is included under receivables form non- exchange transactions in the budget.

45.15 Actual amount has taken impairment into consideration.

45.16 The municipality budgeted for VAT under under other income on the SoFP.

45.17 Actual amount has taken impairment into consideration.

45.18 The budget figure is based on prior year closing figures, the actual is closing for the current year.

45.19 There has been no movement in investmnet property, therefore budget has to be zero.

45.20 Actual amount includes historical costs for PPE, unlike the budget which only focuses on additions.

45.21 This budget is under general expenses on the SoFP.

45.22 The municipality had paid most of its creditors at year - end compared to the budgeted amount.

45.23 This liability is provided for under the personnel budget on the Approved Budget and the Budget Statement Variance Explanations

45.24 This is budgeted under General Expenses on the Statement of Financial Performance.

45.25 This relates to provision from prior years and taxes not withheld from Mr Somana

45. Budget differences (continued)

45.26 This amount relates to the lease that the municipality entered into for plant acquisition, the municipality budget for the payments under the income statement vote.

45.27 This is budgeted under Personnel costs in the SoFP.

45.28 This relates to provisions of which a major contributor is landfill sites that are budgeted under General Expenses on the SoFP.